

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 IO-13 ISO-00 SSO-00 NSCE-00 USIE-00

INRE-00 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03

H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01

AID-05 CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 PRS-01

SP-02 OMB-01 FEA-01 OIC-02 /097 W
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O R 160325Z APR 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 8520

INFO USDEL MTN GENEVA

C O N F I D E N T I A L TOKYO 5610

E.O. 11652: GDS

TAGS: ETRD JA

SUBJ: EMBASSY SUMMARY OF U.S. JAPANESE SPECIALTY STEEL CONSUL-
TIONS APRIL 14-15

REF: A) GENEVA 2923; B) OECD PARIS 101281

BEGIN SUMMARY. APRIL 14-15 U.S. JAPAN SPECIALTY STEEL
CONSULTATIONS TOOK PLACE IN CORDIAL BUT INTENSE ATMOSPHERE.
JAPANESE SHARPLY QUESTIONED U.S. JUSTIFICATION OF ALLEGED
INJURY TO U.S. SPECIALTY STEEL INDUSTRY DURING APRIL 14
DISCUSSIONS. ON SECOND DAY JAPANESE SHOWED GREAT INTEREST IN
AND ASKED DETAILED QUESTIONS CONCERNING USDEL OUTLINE
PROPOSAL FOR OMA. END SUMMARY.

1. MOST OF APRIL 14 MEETING DEVOTED TO DISCUSSION OF ITC
CASE FOR INJURY TO SPECIALTY STEEL INDUSTRY. GOJ
PRESENTATION SIMILAR TO THAT MADE AT OECD (REF B) WITH
JAPANESE DEL CHAIRMAN KAYA APPEALING FOR ADHERENCE TO
OECD TRADE PLEDGE AND SPIRIT OF AMBOUILLET IN ORDER TO
AVOID CHAIN REACTION OF PROTECTIONIST MEASURES WHICH WOULD
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SET BACK WORLD ECONOMIC RECOVERY JUT AS IT HAS COME

INTO SIGHT. JAPANESE REQUESTED EXPLANATIONS OF: "WHY OMA IF QUOTAS WOULD BE AT SAME LEVEL: WHAT DID U.S. PLAN FOR SWEDEN AND EC: HOW COULD INJURY BE DEMONSTRATED WITH IMPORTS SO SMALL IN RELATION TO DOMESTIC SHIPMENTS." JAPANESE ARGUED THAT ITC HAD CHOSEN ARBITRARY BASE PERIODS, THAT U.S. HAD FAILED TO ADEQUATELY CONSIDER TIME LAG BETWEEN ORDER AND DELIVERY OF SPECIALITY STEEL EXPORTS, AND HAD ALSO FAILED TO SHOW CONVINCINGLY THAT IMPORTS WERE SUBSTANTIAL CAUSE OF INDUSTRY'S DIFFICULTY RATHER THAN RECESSION. REMAINDER OF APRIL 14 SESSION SPENT IN THEORETICAL DISCUSSION OF RELATIONSHIP OF OMA TO GATT AND ISSUE OF COMPENSATION OR RETALIATION UNDER ARTICLE XIX, SHOULD ATTEMPT TO NEGOTIATE OMA PROVE UNSUCCESSFUL. USDEL STATED THAT DISCUSSION OF COMPENSATION AT THIS TIME WOULD BE RESPONSE TO UNKNOWN MEASURE AND URGED JAPANESE TO FULLY EXPLORE POSSIBILITIES FOR OMA, STRESSING THAT ACCEPTANCE OF OMA BY JAPAN WOULD NOT IMPLY ACCEPTANCE OF RIGHTOUSNESS OF U.S. POSITION BUT ONLY THAT THROUGH NEGOTIATING PROCESS AGREEMENT HAD BEEN REACHED ON A VIABLE LEVEL OF TRADE IN THE ITEMS AT ISSUE.

2. FOLLOWING OVERNIGHT STUDY OF U.S. PROPOSED OMA OUTLINE, GOJ REPS ON MORNING APRIL 15 RAISED NUMBER OF QUESTIONS ON ADMINISTRATION OF CONTROLS, ARRANGMENTS FOR TERMINATION OF AGREEMENT, POSSIBILITY OF SHIFTS OF QUOTA ALLOCATIONS AMONG PRODUCT CATEGORIES, AND POSSIBLE U.S. ANTI-TRUST ACTION AGAINST EXPORTERS. THEY QUESTIONED NEED FOR OMA TO CONTAIN SPECIFIC LANGUAGE WAIVING RIGHT TO COMPENSATION UNDER GATT: ASKED WHETHER SPECIFIC COMPENSATION COULD BE INCLUDED IN OMA: AND RATIONALE FOR USE OF 1971-75 BASE FOR DETERMINATION QUOTAS. IN RESPONSE USDEL STRESSED THAT THREE-YEAR DURATION, QUOTA LEVELS, AND SOME FORM OF U.S. MONITORING OF IMPORTS WERE ELEMENTS WHERE U.S. HAD LITTLE FLEXIBILITY IF CONGRESSIONAL OVERRIDE TO BE AVOIDED, BUT URGED JAPANESE TO PRESENT THEIR OWN VIEWS AND PROPOSALS ON OTHER MATTERS IF DECISION IS MADE TO DISCUSS OMA FURTHER WITH U.S.

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3. JAPANESE AT NO TIME COMMITTED THEMSELVES TO ENTER OMA BUT AGREED TO CONTINUE TALKS BEGINNING APRIL 30 IN TOKYO.

4. FOR GENEVA: JAPANESE INFORMED USDEL OF CURRENT PLAN TO MAKE PRESENTATION OF THEIR CASE AGAINST U.S. ALLEGATIONS OF INJURY AT GATT COUNCIL MEETING APRIL 26

ALONG LINES DESCRIBED PARA 1 ABOVE.

5. COMMENT: WADA (MITI) IS GOJ REP WHO MOST ADAMANTLY OPPOSES OMA. HE INDICATED, HOWEVER, THAT USDEL EMPHASIS ON OMA AS PRAGMATIC SOLUTION TO ESCAPE CLAUSE ACTION WILL BE EASIER FOR HIM TO ACCEPT THAN OMA AS GATT-RELATED ACTION. WADA APPEARS TO PREFER OMA OUTSIDE GATT IN ORDER TO AVOID PROVIDING PRECEDENT FOR GATT RATIONALE FOR FUTURE OMA'S.

6. THIS MESSAGE COMPLETED AFTER DEPARTURE USDEL.

7. REQUEST DEPARTMENT REPEAT TO OTHER POSTS AS DESIRED.
HODGSON

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